

## AMENDING SMALL BUSINESS EXEMPTION

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**Senate Bill 331 as reported from House committee**

**Sponsor: Sen. Kevin Hertel**

**House Committee: Appropriations**

**Senate Committee: Finance, Insurance, and Consumer Protection**

**Complete to 10-11-23**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 176 of 2023)*

### SUMMARY:

Senate Bill 331 would amend the General Property Tax Act to revise the process for claiming the small business taxpayer personal property tax exemption and the reimbursement of local governments for the exemption. The bill cannot take effect unless House Bills 4553 and 4554 are also enacted.<sup>1</sup>

Currently, the small business taxpayer personal property tax exemption can be claimed by taxpayers that own, lease, or possess *eligible personal property* with a combined true cash value of less than \$180,000 in a single local tax collecting unit by filing a statement with the local tax collecting unit. (Before December 31, 2022, the exemption was available to taxpayers with eligible personal property with a combined true cash value of less than \$80,000 in the local unit.) A taxpayer that claims the exemption is not required to file a statement of assessable property otherwise required by section 19 of the General Property Tax Act. A taxpayer does not need to file additional statements to continue to claim the exemption in subsequent years, but a taxpayer that is no longer eligible for the exemption must file a statement of rescission with the local assessor.

*Eligible personal property* means property that meets the following criteria:

- It is industrial personal property or commercial personal property.
- The combined true cash value of all industrial personal property and commercial personal property in that local tax collecting unit owned by, leased to, or in the possession of the person claiming an exemption under this section or a related entity on December 31 of the immediately preceding year is less than \$180,000 (before December 31, 2022, this threshold was \$80,000).
- It is not leased to or used by a person that previously owned the property or a person that, directly or indirectly, controls, is controlled by, or is under common control with the person that previously owned the property.

Senate Bill 331 would make the following changes, effective December 31, 2023:

- Require taxpayers owning, leasing, or possessing eligible personal property with a combined true cash value of greater than \$80,000 and less than \$180,000 to annually file the statement of assessable personal property with the local assessor and file a statement prescribed by the Department of Treasury attesting to the value

<sup>1</sup> <https://www.legislature.mi.gov/documents/2023-2024/billanalysis/House/pdf/2023-HLA-4553-15E03235.pdf>

of industrial and commercial personal property owned, leased, or possessed by the taxpayer or related entity in the local unit on December 31 of the immediately preceding year. (Taxpayers owning, leasing, or possessing eligible personal property with a combined true cash value of \$80,000 or less would still be subject to the current process for claiming an exemption.)

- Require the local assessor to file a summary of all exemptions granted for taxpayers with property valued between \$80,000 and \$180,000 each year, providing the data necessary to reimburse the municipality for lost revenue.
- Increase the interest rate for taxes for which an exemption was incorrectly claimed or a rescission of the exemption was not filed from 1% to 1.25% per month.
- Allow local assessors to deny a claim of exemption for the current year and the three immediately preceding years.

MCL 206.9o et seq.

## **BACKGROUND:**

Taken with House Bills 4553 and 4554, the bills are similar to Senate Bills 1060, 1061, and 1062 of the 2021-22 legislative session, which were passed by the Senate.<sup>2</sup>

According to committee testimony, 2021 PA 150 (HB 5351), which increased the ceiling to be eligible for the small business personal property tax exemption from \$80,000 to \$180,000 beginning December 31, 2022, was enacted with the understanding that the state would reimburse local governments for the revenue losses that resulted. The bills would provide a mechanism and the funding for this reimbursement.

## **FISCAL IMPACT:**

The bill would have no fiscal impact on the state and could modestly increase revenues for local units of government due to the interest rate penalty for incorrectly claiming an exemption or failure to file a rescission of the exemption increasing from 1% to 1.25% per month.

(House Bills 4553 and 4554, companion legislation to this bill, would reduce use tax revenue accruing to the general fund by \$75.0 million and transfer that amount to the Local Government Reimbursement Fund, which will be used to reimburse local governments for losses resulting from increasing the small taxpayer exemption threshold from \$80,000 of true cash value to \$180,000.)

## **POSITIONS:**

Representatives of the following entities testified in support of the bill (10-11-23):

- Michigan Townships Association
- Michigan Association of Counties

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<sup>2</sup> <http://legislature.mi.gov/doc.aspx?2022-SB-1061>

The following entities indicated support for the bill (10-11-23):

- Department of Treasury
- National Federation of Independent Businesses
- Michigan Municipal League

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.